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PAUL A. COOTER
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OFFICES IN
Albuquerque, Austin, and El Paso

March 2, 1998

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By Fax (505/827-8177) and First Class Mail

Mr. Michael E. Stogner
Chief Hearing Officer/Engineer
Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Dept.
PO Box 6429
Santa Fe, NM 87505

Re: Case No. 11925 - Application of KCS Medallion Resources, Inc.
for an Unorthodox Gas Well Location, Eddy County, New Mexico

Dear Mr. Stogner:

Faxed and mailed to you in the writer's suggested Order in the captioned case denying the application of KCS Medallion Resources for an unorthodox location. A copy of this proposed order is also faxed and mailed to Jim Bruce, the attorney of record for KCS Medallion Resources.

Very truly yours,



Paul A. Cooter

PAC/smb
enclosure

cc w/enc.: James Bruce (By fax, 505/982-2151 and First Class Mail)

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 11925
ORDER NO. R-

**APPLICATION OF KCS MEDALLION RESOURCES, INC.
FOR AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 19, 1998 at Santa Fe, New Mexico before Examiner Michael E. Stogner.

NOW, on this ____ day of March, 1998 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The Applicant in this matter, KCS Medallion Resources, Inc., is the operator of that certain oil and gas lease covering the S/2 of Section 16, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico, an area within the Turkey Tract-Morrow Gas Pool.

(3) Applicant seeks to drill a well to be designated as its PDM Well No. 1 to test the Morrow formation (a depth of approximately 11,500 feet) at an unorthodox location 860 feet from the South line and 660 feet from the West line (Unit M) of said Section 16, and form a standard 320 acre gas spacing and proration unit of the S/2 of said Section 16 for that well.

(4) Well spacing for such a well in the Turkey Tract - Morrow Gas Pool provides that the same be located no closer than 1650 feet from the end line and 660 from the side line of the unit.

(5) Southwest Royalties, Inc. now operates and produces its Union Texas No. 1 Well to which the S/2 of adjacent Section 17,

Township 19 South, Range 29 East has been dedicated as a Morrow gas spacing and proration unit within said Turkey Tract-Morrow Gas Pool.

(6) Southwest Royalties, Inc. filed its objection to the Applicant's proposed unorthodox location.

(7) Applicant's drilling a well at its proposed unorthodox location would be 990 feet closer to Southwest Royalties' land (and its Union Texas No. 1 Well) in said Section 17 than a well at a standard location, and would drain the offsetting land of Southwest Royalties.

(8) Such drainage would cause premature abandonment by Southwest Royalties of its Union Texas State No. 1 Well in the S/2 of said Section 17.

(9) Granting Applicant's application for its unorthodox location and the drilling of Applicant's well at that unorthodox location in said Section 16 would thus result in both physical and economic waste.

IT IS THEREFORE ORDERED THAT:

(1) The application of KCS Medallion Resources, Inc. to drill its proposed PDM Well No. 1 at an unorthodox location 860 feet from the South line and 660 from the West line (Unit M) of Section 16, Township 19 South, Range 29 East, NMPM, Eddy County, New Mexico is denied.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION
